

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

Prepared by the
Finance Department
Bill Cole, Finance Director

**CITY OF LE MARS, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008
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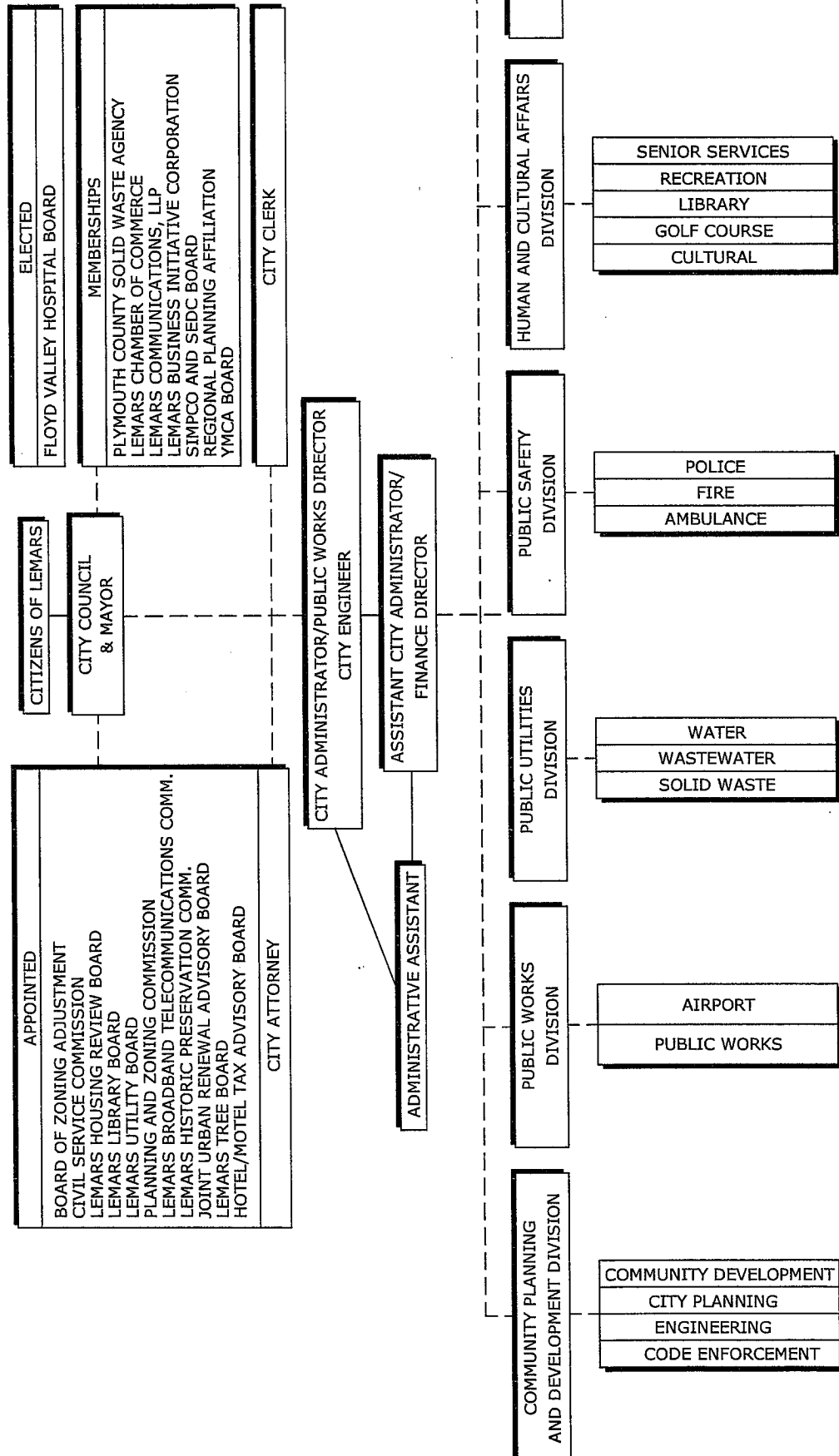
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APPENDIX B
CITY OF LEMARS, IOWA
ORGANIZATIONAL CHART



CITY OF LE MARS, IOWA

List of Principal Officials
June 30, 2008

Title	Name
Mayor.....	Dick Kirchoff
Council Member and Mayor Pro-Tem.....	Rex Knapp
Council Member.....	John Leonard
Council Member.....	Delana Ihrke
Council Member.....	Kenneth Nelson
Council Member.....	John Rexwinkel
City Clerk/Treasurer.....	Beverly Langel
City Attorney.....	Joseph Flannery
City Administrator/Public Works Director/City Engineer.....	Scott Langel
Assistant City Administrator / Finance Director.....	Bill Cole
Code Enforcement Officer.....	Jason Vacura
Chief of Police.....	Stuart Dekkenga
Fire Chief.....	Wayne Schipper
Wastewater Superintendent.....	Ron Kayser
Assistant Wastewater Superintendent.....	William Morgan
Water Superintendent.....	Gayle Sitzmann
Water Treatment Plant Operator.....	Jim Conley
Ambulance Director.....	Bill Rosacker
Golf Course Manager.....	Doug Schultz
Library Director.....	Vacant
Airport Manager.....	Earl Draayer
Public Works Superintendent.....	Steve Hansen
Assistant Public Works Superintendent	Brad Eppling

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$25,723,295 as of June 30, 2008, and total operating revenues of \$22,571,444 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated

March 10, 2009 on our consideration of the City of Le Mars' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Le Mars, Iowa. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 10, 2009

Management Discussion and Analysis

June 30, 2008

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2008. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2008, by \$39,791,616. Of this amount, \$3,967,879 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2,561,204 during the year. Of this amount, the assets of our Governmental Activities increased \$2,760,110 and the assets of our Business Activities decreased \$198,906.
- The largest factor in the increase in fund balance was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2008, that excess was \$496,823.

The City's General Obligation debt increased by \$289,000 during FY'08, making the General Obligation debt \$13,854,000 at year end. This increase is the net result of the annual amortization of the City debt and the issuance of \$1,510,000 in SRF General Obligation Bonds for EPA settlement. The City Revenue Bond debt decreased by \$663,000 during FY '08, making the Revenue Bond debt \$14,014,000 at year end. This decrease is a result of the annual amortization of the debt and the fact that the City issued no new Revenue Bond debt in FY '08.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is

improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste, Storm Sewer and Golf Course funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net assets for the years ended June 30, 2008 and 2007.

	General Governmental Activities		Business Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 13,666,681	\$ 12,668,457	\$ 1,761,432	\$ 1,983,671	\$ 15,428,113	\$ 14,652,128
Capital Assets	27,495,455	26,952,052	34,452,955	35,239,276	61,948,410	62,191,328
Total Assets	41,162,135	39,620,509	36,214,387	37,222,947	77,376,523	76,843,456
Long-Term Liabilities						
Outstanding	13,217,518	12,904,901	15,730,421	16,522,856	28,947,939	29,427,757
Other Liabilities	8,481,864	10,112,965	155,104	172,323	8,636,968	10,285,288
Total Liabilities	21,699,382	23,017,866	15,885,525	16,695,179	37,584,907	39,713,045
Net Assets:						
Invested in Capital Assets, Net of Related Debt	16,631,540	14,715,944	19,026,486	18,837,276	35,658,026	33,553,220
Restricted	165,711	307,778			165,711	307,778
Unrestricted	2,665,503	1,578,921	1,302,376	1,690,492	3,967,879	3,269,413
Total Net Assets	\$ 19,462,754	\$ 16,602,643	\$20,328,862	\$ 20,527,768	\$ 39,791,615	\$ 37,130,411

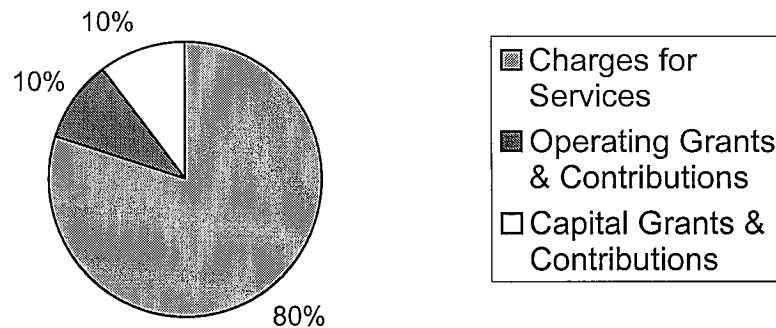
This summary reflects an increase of total net assets of 17.23% for the governmental activities and an decrease of .97% in the business-type activities.

Total revenue reported in Fiscal 2008 was \$17,193,920. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2008 and 2007:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	\$ 1,828,809	\$ 1,609,165	\$ 4,870,147	\$ 4,904,137	\$ 6,698,956	\$ 6,513,302
Operating Grants and Contributions	827,334	848,900	-	-	827,334	848,900
Capital Grants and Contributions	821,495	2,872,832	\$40,000	-	861,495	2,872,832
Total Program Revenues	3,477,638	5,330,897	4,910,147	4,904,137	8,387,785	10,235,034
General Revenues & Interfund Transfers:						
Property Taxes	6,862,018	6,280,628	-	-	6,862,018	6,280,628
Other Taxes	106,520	71,164	-	-	106,520	71,164
Local Option Sales Tax	859,023	857,002	-	-	859,023	857,002
Hotel/Motel Taxes	124,846	91,912	-	-	124,846	91,912
Interest	86,497	113,959	12,576	30,912	99,073	144,871
Revenue from Use of Property	-	-	74,240	101,063	74,240	101,063
Gain on Sales of Assets	79,124	330	-	-	79,124	330
Miscellaneous	573,605	275,347	27,686	42,544	601,291	317,891
Total General Revenues	8,691,633	7,690,342	114,502	174,519	8,806,135	7,864,861
Interfund Transfers	170,279	(307,396)	(170,279)	307,396	-	-
Total Revenues & Interfund Transfers	\$ 12,339,550	\$ 12,713,843	\$ 4,854,370	\$ 5,386,052	\$ 17,193,920	\$ 18,099,895

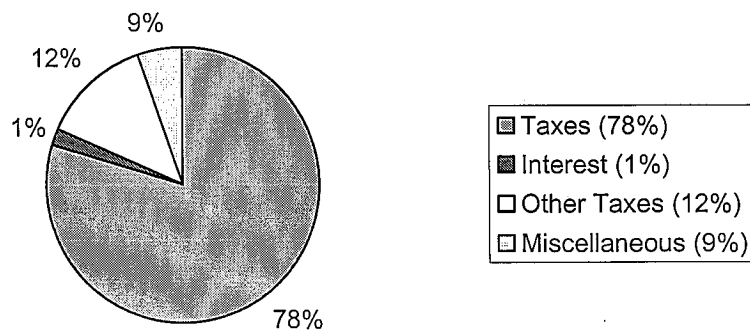
Program revenues totaled \$8,387,785 for fiscal year 2008. Governmental Activities provided \$3,477,638 and Business-Type Activities provided \$4,910,147. Revenue collected for Charges for Services during fiscal year 2008 was \$6,698,956, accounting for 80% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2008 totaled \$8,806,135. Governmental Activities provided \$8,691,633 and Business-Type Activities provided \$114,502. Property Tax Revenues for fiscal year 2008 totaled \$6,862,018, accounting for 78% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenditures for Fiscal 2008 totaled \$14,632,716. Expenditures for General Governmental Activities totaled \$9,579,440, accounting for 65% of total expenditures. Business-Type Activity expenditures totaled \$5,053,276, for 35% of the total.

The following table shows total expenditures by Function/Program for FY 2008 and FY 2007:

Program Level	General Governmental Activities		Business-Type		Totals	
	2008	2007	2008	2007	2008	2007
Public Safety	\$2,261,027	\$2,206,448	\$ ----	\$ ----	\$2,261,027	\$2,206,448
Public Works	2,156,267	2,241,550	----	----	2,156,267	2,241,550
Health & Social Services	----	40,279	----	----	----	40,279
Culture and Recreation	1,842,136	1,465,935	----	----	1,842,136	1,465,935
Community and Economic Development	855,377	2,342,058	----	----	855,377	2,342,058
General Government	1,934,766	2,018,570	----	----	1,934,766	2,018,570
Debt Service	529,867	512,611	----	----	529,867	512,611
Sewer System	----	----	2,446,095	2,194,085	2,446,095	2,194,085
Water System	----	----	1,684,466	1,527,779	1,684,466	1,527,779
Solid Waste	----	----	540,885	533,615	540,885	533,615
Golf Course	----	----	378,970	350,281	378,970	350,281
Storm Sewer	----	----	2,860	85	2,860	85
Total Expenditures	\$9,579,440	\$10,827,451	\$5,053,276	\$4,605,845	\$14,632,716	\$15,433,296

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and principal of outstanding debt
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the waste water treatment plant
Water System	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Golf Course	Operation of Golf Course
Storm Sewer	Collection of funds for the upkeep and expansion of the City's storm sewer system.

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,261,027 and received \$489,659 in revenue, thus leaving a cost to the taxpayer of \$1,771,368 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$9,579,441. Of these costs, \$1,828,809 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$1,648,829, leaving a Net Expense of \$6,101,803 for Governmental Activities. These expenses of \$6,101,803 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2008	2007
Governmental Activities:		
Public Safety	(\$1,771,368)	\$(1,727,032)
Public Works	(515,246)	(466,597)
Health & Social Services	-	(40,279)
Culture and Recreation	(1,179,147)	(984,206)
Community and Economic Development	(845,707)	(404,359)
General Government	(1,260,467)	(1,361,470)
Debt Service	(529,867)	(512,611)
Total Net (Expense)		
Governmental Activities	(6,101,803)	(5,496,554)
General Revenues	8,691,633	7,690,342
Excess of revenues over expenditures	2,589,830	2,193,788
Interfund Transfers	170,279	(307,396)
Prior Period Adjustment	-	100,000
Change in Net Assets	\$2,760,110	\$1,986,392

Total resources available during the year to finance governmental operations were \$29,042,194, consisting of Net Assets at July 1, 2007 of \$16,702,644, Program Revenues of \$3,477,638 and General Revenues of \$8,691,633 and interfund transfers of \$170,279. Total Governmental Activities during the year expended \$9,579,440; thus, Net Assets were increased by \$2,760,110 to \$19,462,754 at June 30, 2008.

Business Type Activities

Business Type Activities decreased the City's net assets by \$198,906

The cost of all Proprietary Activities this year was \$5,053,276. As shown in the Statement of Activities, the amount paid by users of the systems was \$4,870,147. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$40,000. This resulted in total Net Expense for Business Type Activities of \$143,129. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2008	2007
Governmental Activities:		
Sewer System	(\$258,662)	\$8,988
Water System	(59,013)	126,128
Solid Waste	156,571	146,564
Golf Course	(71,417)	(86,552)
Storm Sewer	89,392	103,164
Total Net Revenue		
Business Type Activities	(143,129)	298,292
General Revenues	114,502	174,519
Excess of revenues over expenditures	(28,627)	472,811
Interfund Transfers	(170,279)	307,396
Prior Period Adjustment	-	140,951
Change in Net Assets	(\$198,906)	\$921,158

Total resources available during the year to finance Proprietary Fund activities were \$25,382,138, consisting of Net Assets at July 1, 2007 of \$20,527,768, Program Revenues of \$4,910,147, General Revenues of \$114,502 and interfund transfers of (\$170,279). Total Proprietary Fund Activities during the year expended \$5,053,276; thus Net Assets were decreased by \$198,906, to \$20,328,862.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$3,591,033. The combined Governmental Funds fund balance increased \$2,921,442 from the prior year.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was a decrease of \$38,399. The fund balance of \$1,546,956 represents 93 days of coverage.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Expenditures	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,220,326	\$ 2,217,987	\$ 2,339
Public Works	861,926	856,161	5,765
Culture and Recreation	1,840,784	1,635,510	205,274
Community and Economic Development	527,301	462,273	65,028
General Government	1,295,933	1,165,341	130,592
Debt Service	1,570,197	1,569,883	314
Capital Projects	6,037,712	5,754,674	283,038
Business Type/Enterprise	29,122,066	27,128,521	1,993,545
	<u>\$ 43,476,245</u>	<u>\$ 40,790,350</u>	<u>\$ 2,685,895</u>

Budget results were all favorable in the current year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the capital projects and business-type functions. These both were due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2008, was \$35,658,026 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2008 are as follows:

General Governmental Activities		2008	2007
Land	\$	80,000	\$ 153,750
Infrastructure		2,367,860	3,577,475
Buildings		2,870,654	165,112
Improvements – Other than Buildings		572,721	17,243
Equipment		444,136	339,636
Construction in Progress		1,761,054	4,592,767
Utility Plant		----	----
Total Gross Additions	\$	<u>8,096,425</u>	<u>\$ 8,845,983</u>

Business Type Activities		Totals	
2008	2007	2008	2007
\$	----	\$	153,750
----	----		3,577,475
1,175,429	----	4,046,083	165,112
1,350,106	81,820	1,922,827	99,063
127,085	56,986	571,221	396,622
268,516	832,034	2,029,570	5,424,801
521,318	18,262,396	521,318	18,262,396
<u>\$ 3,442,454</u>	<u>\$ 19,233,236</u>	<u>\$ 11,538,879</u>	<u>\$ 28,079,219</u>

Construction in Progress at June 30, 2008 for the governmental activities consisted of costs associated with the Recreation Trail Improvements, and numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2008 consisted of costs associated with the water main extension.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$28,116,053 of debt outstanding. This is a decrease of \$522,055 from the prior year. This decrease is the net result of the normal annual debt amortization and the issuance of \$1.5m in SRF General Obligation Bonds to satisfy the EPA Debt.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$28,730,731. With outstanding General Obligation Debt applicable to this limit of \$13,952,055 and Urban Renewal Debt applicable of \$650,000 we are utilizing 50.8% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Le Mars worked hard in FY 2008 to maintain a positive approach to growth and development. Continued progressive growth in the Le Mars community had a positive effect on the City's unemployment and tax base. FY '08 saw activity relating to numerous subdivisions. These include Sadona Hills, Two Rivers Center, Le'Land Heights, Schuster Industrial Park, Northwest Crossing, North Greenvew Estates, Ellensohn Addition, Adobe Ridge and Winslow Estates.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the Westmar buildings helping to create additional apartment facilities. The City is looking forward to new housing surrounding the new holes at the golf course.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

CITY OF LE MARS, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Floyd Valley Hospital
	Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 1,437,393	\$ 700,007	\$ 2,137,400	\$ 3,185,621
Investments	139,123	-	139,123	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	141,519	180,520	322,039	2,616,397
Taxes	33,442	-	33,442	-
Subsequent Year Taxes	7,875,143	-	7,875,143	-
Accrued Interest	23	-	23	-
Other	3,254	-	3,254	39,663
Estimated Unbilled Usage	-	242,983	242,983	115,000
Special Assessments	31,675	-	31,675	-
Pledges Receivable	1,117,112	-	1,117,112	-
Notes Receivable	1,392,636	-	1,392,636	-
Internal Balances	(263,466)	263,466	-	-
Due from Other Governmental Agencies	1,122,855	-	1,122,855	-
Inventories	-	176,081	176,081	312,742
Land Held for Resale	172,011	-	172,011	-
Prepaid Assets	79,495	35,844	115,339	199,657
Other	-	-	-	454,663
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	1,856,092
Investments	-	-	-	4,891,328
Accrued Interest Receivable	-	-	-	7,468
Bond Issue Costs	154,138	162,531	316,669	-
Investment in Joint Venture	230,327	-	230,327	-
Land	1,086,470	1,318,661	2,405,131	103,274
Construction in Progress	1,603,386	65,015	1,668,401	119,029
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	24,805,599	33,069,279	57,874,878	11,822,361
Total Assets	41,162,135	36,214,387	77,376,522	25,723,295
LIABILITIES				
Accounts Payable	429,959	72,151	502,110	1,889,353
Accrued Wages	68,401	22,456	90,857	740,683
Accrued Revenue Bond Interest	29,057	42,203	71,260	48,505
Accrued Expenses	79,303	18,294	97,597	332,307
Unearned Revenue - Subsequent Year Taxes	7,875,143	-	7,875,143	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	50,000	685,000	735,000	725,000
General Obligation Bonds	1,170,000	195,000	1,365,000	-
Notes Payable	148,055	-	148,055	-
Compensated Absences and Benefits	138,093	28,284	166,377	-
Due in more than one year:				
Revenue Bonds Payable	600,000	12,679,000	13,279,000	4,723,241
General Obligation Bonds	10,459,000	2,030,000	12,489,000	-
Notes Payable	99,998	-	99,998	-
Compensated Absences and Benefits, Long-Term	552,372	113,137	665,509	-
Total Liabilities	21,699,381	15,885,525	37,584,906	8,459,089
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	16,631,540	19,026,486	35,658,026	6,596,423
Restricted for:				
Debt Service	-	-	-	1,352,419
Endowments:				
Expendable	28,232	-	28,232	-
Nonexpendable	137,479	-	137,479	-
Unrestricted	2,665,503	1,302,376	3,967,879	9,315,364
Total Net Assets	\$ 19,462,754	\$ 20,328,862	\$ 39,791,616	\$ 17,264,206

CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,261,027	\$ 430,121	\$ 25,355	\$ 34,183
Public Works	2,156,267	71,908	791,471	777,642
Culture and Recreation	1,842,136	656,387	6,602	-
Community and Economic Development	855,377	-	-	9,670
General Government	1,934,766	670,393	3,906	-
Interest Expense	529,867	-	-	-
Total governmental activities	<u>9,579,440</u>	<u>1,828,809</u>	<u>827,334</u>	<u>821,495</u>
Business-Type Activities:				
Golf Course	378,970	307,553	-	-
Water System	1,684,466	1,605,453	-	20,000
Sewer System	2,446,095	2,187,433	-	-
Solid Waste System	540,885	677,456	-	20,000
Storm Sewer System	2,860	92,252	-	-
Total Business-Type Activities:	<u>5,053,276</u>	<u>4,870,147</u>	<u>-</u>	<u>40,000</u>
Total Primary Government	<u>\$ 14,632,716</u>	<u>\$ 6,698,956</u>	<u>\$ 827,334</u>	<u>\$ 861,495</u>
Component Unit:				
Floyd Valley Hospital	<u>\$ 22,047,426</u>	<u>\$ 22,571,444</u>	<u>\$ 325</u>	<u>\$ 51,994</u>

General Revenues:
Property taxes
Other taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest
Use of Property
Gain on Sale of Assets
Refunds and Reimbursements
Sale of non-capitalized Assets
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - beginning, as restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,771,368)		\$ (1,771,368)	
(515,246)		(515,246)	
(1,179,147)		(1,179,147)	
(845,707)		(845,707)	
(1,260,467)		(1,260,467)	
(529,867)		(529,867)	
<u>(6,101,802)</u>		<u>(6,101,802)</u>	
	\$ (71,417)	(71,417)	
	(59,013)	(59,013)	
	(258,662)	(258,662)	
	156,571	156,571	
	89,392	89,392	
	<u>(143,129)</u>	<u>(143,129)</u>	
<u>(6,101,802)</u>	<u>(143,129)</u>	<u>(6,244,931)</u>	
			\$ <u>576,337</u>
6,862,018	-	6,862,018	-
106,520	-	106,520	-
859,023	-	859,023	-
124,846	-	124,846	-
86,497	12,576	99,073	421,744
-	74,240	74,240	-
79,124	-	79,124	-
567,851	24,225	592,076	-
5,754	3,461	9,215	-
170,279	(170,279)	-	-
<u>8,861,912</u>	<u>(55,777)</u>	<u>8,806,135</u>	<u>421,744</u>
2,760,110	(198,906)	2,561,204	998,081
16,602,644	20,527,768	37,130,412	16,266,125
100,000	-	100,000	-
<u>16,702,644</u>	<u>20,527,768</u>	<u>37,230,412</u>	<u>16,266,125</u>
<u>\$ 19,462,754</u>	<u>\$ 20,328,862</u>	<u>\$ 39,791,616</u>	<u>\$ 17,264,206</u>

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2008

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 257,382	\$ -	\$ 13,861	\$ 147,666
Investments	2,148	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	133,702	-	-	-
Taxes	17,621	9,377	-	-
Subsequent Year Taxes	2,360,856	3,775,435	-	-
Accrued Interest	24	-	-	-
Other	3,254	-	-	-
Special Assessments	31,675	-	-	-
Pledges Receivable	-	-	-	-
Notes Receivable	460,006	-	-	-
Due from Other Funds	920,365	1,804,137	532	-
Due from Other Governmental Agencies	51,356	-	63,359	158,040
Land Held for Resale	172,011	-	-	-
Total Assets	4,410,400	5,588,949	77,752	305,706
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	134,337	-	6,037	-
Accrued Wages	68,401	-	-	-
Due to Other Funds	263,466	-	-	-
Unearned Revenue	31,698	4,893	-	-
Deferred Revenue - Subsequent Year Taxes	2,360,856	3,775,435	-	-
Compensated Absences & Benefits	4,686	-	-	-
Total Liabilities	2,863,444	3,780,328	6,037	-
Fund Balances:				
Reserved for:				
Assets Held for Resale	172,011	-	-	-
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes Receivable	460,006	-	-	-
Unreserved Fund Balances:				
General Fund	914,939	-	-	-
Special Revenue Fund	-	1,808,621	71,715	305,706
Debt Service	-	-	-	-
Capital Projects Fund	-	-	-	-
Total Fund Balances (Deficits)	1,546,956	1,808,621	71,715	305,706
Total Liabilities and Equity	\$ 4,410,400	\$ 5,588,949	\$ 77,752	\$ 305,706

Debt Service	Capital Project		Other Governmental Funds	Total Governmental Funds
	CWC Renovation Project	Joint Urban Renewal		
\$ -	\$ -	\$ -	\$ 591,402	\$ 1,010,311
-	-	-	136,975	139,123
-	-	-	867	134,569
6,328	-	-	116	33,442
1,312,613	-	-	426,239	7,875,143
-	-	-	-	24
-	-	-	-	3,254
-	-	-	-	31,675
-	-	-	1,244,512	1,244,512
-	-	618,910	313,720	1,392,636
-	-	983,409	29,783	3,738,226
-	-	-	850,100	1,122,855
-	-	-	-	172,011
1,318,941	-	1,602,319	3,593,714	16,897,781
-	-	50,307	239,279	429,960
-	-	-	-	68,401
29,783	1,687,371	-	2,021,072	4,001,692
-	-	-	890,275	926,866
1,312,613	-	-	426,239	7,875,143
-	-	-	-	4,686
1,342,396	1,687,371	50,307	3,576,865	13,306,748
-	-	-	-	172,011
-	-	-	137,479	137,479
-	-	-	28,232	28,232
-	-	618,910	313,720	1,392,636
-	-	-	-	914,939
-	-	-	(1,022,554)	1,163,488
(23,455)	-	-	-	(23,455)
-	(1,687,371)	933,102	559,972	(194,297)
(23,455)	(1,687,371)	1,552,012	16,849	3,591,033
\$ 1,318,941	\$ -	\$ 1,602,319	\$ 3,593,714	\$ 16,897,781

CITY OF LE MARS, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2008

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 19)	\$	3,591,033
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		27,495,455
Investment in Joint Venture is not a financial resource and, therefore, not reported in the funds		230,327
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net assets.		354,729
Deferred revenues that provide current financial resources for governmental activities.		926,866
Estimated uncollectible on pledges receivable extending beyond one year.		(127,400)
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(29,057)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		154,138
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		79,495
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$	11,629,000
Revenue Bonds		650,000
Notes Payable		248,053
Compensated Absences		685,779
		<u>(13,212,832)</u>
Total Net Assets - Governmental Activities (page 15)	\$	<u>19,462,754</u>

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CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2008

	General	TIF	Road Use Tax
Revenue:			
Taxes	\$ 2,364,540	\$ 3,013,110	\$ -
Licenses and Permits	155,935	-	-
Intergovernmental Revenue	98,027	-	791,471
Charges for Services	763,214	-	-
Fines and Forfeits	42,794	-	-
Contributions	33,863	-	-
Refunds/Reimbursements	61,445	-	-
Rental Income	245,540	-	-
Interest	62,315	10,998	-
Total Revenue	3,827,673	3,024,108	791,471
Expenditures:			
Public Safety	2,005,126	-	-
Public Works	861,909	-	-
Culture and Recreation	1,640,854	-	-
Community and Economic Development	335,234	80,421	-
General Government	1,150,498	-	-
Capital Outlay	46,570	-	170,827
Debt Service	-	-	-
Total Expenditures	6,040,191	80,421	170,827
Excess (deficiency) of revenues over expenditures	(2,212,518)	2,943,687	620,644
Other financing sources (uses):			
Issuance of Debt	-	-	-
Proceeds from Sale of Assets	45,515	-	-
Transfers In	2,171,075	-	17,309
Transfers Out	(42,471)	(1,143,008)	(470,000)
Total other financing sources (uses)	2,174,119	(1,143,008)	(452,691)
Net Change in Fund Balance	(38,399)	1,800,679	167,953
Fund balances (deficits)-beginning of year	1,585,355	7,942	(96,238)
Fund balances (deficits)- end of year	\$ 1,546,956	\$ 1,808,621	\$ 71,715

Local Option Sales Tax	Debt Service	Capital Project		Other Governmental Funds	Total Governmental Funds
		CWC Renovation Project	Joint Urban Renewal		
\$ 859,023	\$ 1,161,522	\$ -	\$ -	\$ 460,622	\$ 7,858,817
-	-	-	-	-	155,935
-	-	-	-	872,529	1,762,027
-	-	-	-	1,547	764,761
-	-	-	-	5,046	47,840
-	-	-	-	313,515	347,378
-	-	-	-	251,658	313,103
-	-	-	-	1,440	246,980
1,852	4,772	-	-	2,389	82,326
860,875	1,166,294	-	-	1,908,746	11,579,167
-	-	-	-	224,584	2,229,710
-	-	-	-	2,878	864,787
-	-	-	-	365	1,641,219
183,417	-	-	-	35,342	634,414
-	-	-	-	18,971	1,169,469
-	-	12,582	133,763	2,195,947	2,559,689
-	1,569,882	-	50,000	114,981	1,734,863
183,417	1,569,882	12,582	183,763	2,593,068	10,834,151
677,458	(403,588)	(12,582)	(183,763)	(684,322)	745,016
-	-	-	-	1,510,000	1,510,000
-	-	-	-	139,126	184,641
-	374,024	-	-	858,752	3,421,160
(551,021)	-	-	-	(732,875)	(2,939,375)
(551,021)	374,024	-	-	1,775,003	2,176,426
126,437	(29,564)	(12,582)	(183,763)	1,090,681	2,921,442
179,269	6,109	(1,674,789)	1,735,775	(1,073,832)	669,591
\$ 305,706	\$ (23,455)	\$ (1,687,371)	\$ 1,552,012	\$ 16,849	\$ 3,591,033

CITY OF LE MARS, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 2,921,442
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,439,612	
Depreciation expense	<u>(1,942,789)</u>	496,823

Contribution of Governmental Fixed Assets to the City's Proprietary funds:	(67,656)
--	----------

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	(99,763)
--	----------

Revenues from Long Term Pledge Receivables are deferred on the fund level statements until they are available to provide current financial resources, where on the government-wide statements there revenues were recorded in the year pledged. The net change in deferred pledge revenues and allowance for doubtful accounts was:	(301,845)
---	-----------

Investment in Joint Venture does not require current financial resources, therefore, is not reported in the funds. This is the change in the equity investment for the year:	15,767
--	--------

Revenues reported in the funds that are not available to provide current financial resources:	(12,819)
---	----------

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds:	114,000
--	---------

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	(6,989)
--	---------

Accrued interest expense that does not require current financial resources:	(837)
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(23,292)
---	----------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities:	29,446
--	--------

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	(13,222)
--	----------

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(1,510,000)
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The repayment of the principal of bonded long-term debt as well as long-term notes payable consume the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt or long-term notes payable. The principal paid on these items during the current year was:	<u>1,219,055</u>
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Change in net assets of governmental activities (page 17)	<u>\$ 2,760,110</u>
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CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2008

	Business Type Activities	
	Water System	Sewer System
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 326,205	\$ 148,763
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	106,396	41,086
Estimated Unbilled Usage	53,506	161,086
Due from Other Funds	263,466	-
Inventories	176,081	-
Prepaid Assets	13,131	20,949
Total Current Assets	<u>938,785</u>	<u>371,884</u>
Noncurrent Assets:		
Bond Issue Costs	70,339	92,192
Land	174,357	843,418
Construction in Progress	65,015	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,228,885	16,765,847
Total Noncurrent Assets	<u>13,538,596</u>	<u>17,701,457</u>
Total Assets	<u>14,477,381</u>	<u>18,073,341</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,330	18,136
Accrued Wages	9,714	12,742
Accrued Revenue Bond Interest	16,168	26,035
Accrued Expenses	18,294	-
Revenue Bonds Payable- Current	350,000	335,000
General Obligation Bonds- Current	-	195,000
Compensated Absences and Benefits	17,669	10,615
Total Current Liabilities	<u>428,175</u>	<u>597,528</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	6,081,000	6,598,000
General Obligation Bonds	-	2,030,000
Compensated Absences and Benefits	70,675	42,462
Total Noncurrent Liabilities	<u>6,151,675</u>	<u>8,670,462</u>
Total Liabilities	<u>6,579,850</u>	<u>9,267,990</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	7,107,596	8,543,457
Unrestricted	789,935	261,894
Total Net Assets	<u>\$ 7,897,531</u>	<u>\$ 8,805,351</u>

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 225,039	\$ 700,007	\$ 427,082
33,038	180,520	6,950
28,391	242,983	-
-	263,466	-
-	176,081	-
1,764	35,844	-
288,232	1,598,901	434,032
-	162,531	-
300,886	1,318,661	-
-	65,015	-
3,074,547	33,069,279	-
3,375,433	34,615,486	-
3,663,665	36,214,387	434,032
37,685	72,151	-
-	22,456	-
-	42,203	-
-	18,294	79,303
-	685,000	-
-	195,000	-
-	28,284	-
37,685	1,063,388	79,303
-	12,679,000	-
-	2,030,000	-
-	113,137	-
-	14,822,137	-
37,685	15,885,525	79,303
3,375,433	19,026,486	-
250,547	1,302,376	354,729
\$ 3,625,980	\$ 20,328,862	\$ 354,729

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,605,453	\$ 2,187,433
Total Operating Revenue	<u>1,605,453</u>	<u>2,187,433</u>
Operating Expenses:		
Employee Services	507,711	658,853
Contract Services	52,867	236,867
Supplies	106,681	83,385
Repairs and Improvements	56,635	72,069
Utilities	140,697	180,715
Miscellaneous	6,983	9,751
Depreciation	585,985	846,963
Amortization	4,906	7,176
Total Operating Expenses	<u>1,462,465</u>	<u>2,095,779</u>
Operating Income (Loss)	142,988	91,654
Non-Operating Income (Expense):		
Interest Income	7,215	5,361
Refunds and Reimbursements	7,767	15,535
Sale of Uncapitalized Assets	1,519	1,942
Revenue from Use of Property	52,070	
Interest Expense	(222,001)	(350,316)
Inter-Governmental Revenue	-	-
Total Non-Operating Income (Expenses)	<u>(153,430)</u>	<u>(327,478)</u>
Income (Loss) Before Transfers and Contributions	(10,442)	(235,824)
Contributed Capital Revenue	103,244	54,482
Transfers In		
Transfers (Out)	<u>(234,229)</u>	<u>(234,229)</u>
Change in Net Assets	(141,427)	(415,571)
Net Assets - Beginning	<u>8,038,958</u>	<u>9,220,922</u>
Net Assets - Ending	<u>\$ 7,897,531</u>	<u>\$ 8,805,351</u>

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 1,077,261	\$ 4,870,147	\$ 651,509
1,077,261	4,870,147	651,509
-	1,166,564	-
705,337	995,071	-
89,473	279,539	-
13,360	142,064	-
14,419	335,831	-
4,248	20,982	676,441
95,878	1,528,826	-
-	12,082	-
922,715	4,480,959	676,441
154,546	389,188	(24,932)
-	12,576	4,173
923	24,225	50,205
-	3,461	-
22,170	74,240	-
-	(572,317)	-
20,000	20,000	-
43,093	(437,815)	54,378
197,639	(48,627)	29,446
173,780	331,506	-
186,537	186,537	-
(199,864)	(668,322)	-
358,092	(198,906)	29,446
3,267,888	20,527,768	325,283
\$ 3,625,980	\$ 20,328,862	\$ 354,729

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,650,209	\$ 2,194,314
Cash Paid to Suppliers for Goods and Services	(407,528)	(612,666)
Cash Paid to Employees for Services	(487,455)	(652,535)
Other Nonoperating Income	61,356	17,477
Net Cash Provided by Operating Activities	<u>816,582</u>	<u>946,590</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(69,154)	(93,306)
Principal Paid on Notes and Bonds	(338,000)	(475,000)
Interest Paid on Notes and Bonds	(222,856)	(351,620)
Net Cash (Used) for Capital and Related Financing Activities	<u>(630,010)</u>	<u>(919,926)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers From (To) Other Funds	(234,229)	(234,229)
Due From (To) Other Funds		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(234,229)</u>	<u>(234,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	7,215	5,361
Net Cash Provided from Investing Activities	<u>7,215</u>	<u>5,361</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(40,442)	(202,204)
Cash and Cash Equivalents at Beginning of Year	<u>366,647</u>	<u>350,967</u>
Cash and Cash Equivalents at End of Year	<u>\$ 326,205</u>	<u>\$ 148,763</u>

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 1,095,828	\$ 4,940,351	\$ 706,048
(825,208)	(1,845,402)	(682,768)
-	(1,139,990)	-
43,093	121,926	50,205
313,713	2,076,885	73,485
(248,539)	(410,999)	-
-	(813,000)	-
-	(574,476)	-
(248,539)	(1,798,475)	-
(13,327)	(481,785)	-
-	-	324,563
(13,327)	(481,785)	324,563
-	12,576	4,173
-	12,576	4,173
51,847	(190,799)	402,221
173,192	890,806	24,861
\$ 225,039	\$ 700,007	\$ 427,082

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 142,988	\$ 91,654
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	585,985	846,963
Amortization	4,906	7,176
Miscellaneous Non-Operating Income	61,356	17,477
(Increase) Decrease in Assets:		
Accounts Receivable	(44,209)	6,231
Estimated Unbilled Usage	88,965	650
Prepaid Expenses	(13,131)	(20,949)
Inventories	(15,002)	-
Increase (Decrease) in Liabilities		
Accounts Payable	(19,367)	(8,930)
Accrued Wages and Compensated Absences	20,256	6,318
Accrued Expenses	-	-
Customer Deposits	3,835	-
Total Adjustments	673,594	854,936
Net Cash Provided by Operating Activities	816,582	946,590

Supplemental Schedule of Noncash Capital and Related Financing Activities:

Contributed Capital	103,244	54,482
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Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	326,205	148,763
	\$ 326,205	\$ 148,763

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 154,546	\$ 389,188	\$ (24,932)
95,878	1,528,826	-
-	12,082	-
43,093	121,926	50,205
6,699	(31,279)	54,539
11,868	101,483	-
(1,764)	(35,844)	-
-	(15,002)	-
3,393	(24,904)	-
-	26,574	-
-	-	(6,327)
-	3,835	-
159,167	1,687,697	98,417
313,713	2,076,885	73,485
173,780	331,506	-
225,039	700,007	427,082
\$ 225,039	\$ 700,007	\$ 427,082

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2008

ASSETS

Cash and Pooled Investments	\$	9,616
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Total Assets		<u>9,616</u>
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LIABILITIES

Accounts Payable		<u>9,616</u>
------------------	--	--------------

Total Liabilities		<u>9,616</u>
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NET ASSETS

Unrestricted		<u>-</u>
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Total Net Assets	\$	<u><u>-</u></u>
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CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. The Hospital is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission, Plymouth County Joint E911 Service Board, and the Highway 60 Commission.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent of fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- 4) Capital Project Funds

The CWC Renovation Project Fund is used to account for the renovations of capital assets related to the City's Community Wellness Center.

The Joint Urban Renewal Fund is used to account for the use of bond proceeds for the capital improvements in the City's Urban Renewal District.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund is used to account for the City's cafeteria plan funds.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

to such programs, followed by categorical block grants and then by general revenues.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investments consist of the following:

<u>City</u>	<u>Type</u>	<u>Method</u>
	Nonnegotiable Certificates of Deposit	Cost
<u>Component Unit</u>		
	Certificates of Deposit	Cost
	U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price
	Iowa Public Agency Investment Trust	Fair Value Determined By Current Share Prices
	Debt Securities	
	Negotiable Certificates of Deposit	
	Maturity of one year or less when purchased	Amortized Cost
	Maturity of more than one year when purchased	Fair Value Based on Quoted Market Price

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2007. Any county collections on the 2007-2008 tax levy remitted to the City within 60 days subsequent to June 30, 2008, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2008, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Revenue – Although certain revenues are measurable, they are not available, Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any of the City's budgeted functions.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2008, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2008, are shown below:

	Primary Government	Component Unit	Fair Value	Rating
Demand Deposits	\$ (160,075)	\$ 5,041,713	\$ 4,881,638	N/A
Savings Deposits	2,297,475	-	2,297,475	N/A
Time Deposits	139,123	4,891,328	5,030,451	N/A
	<u>\$ 2,276,523</u>	<u>\$ 9,933,041</u>	<u>\$12,209,564</u>	

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 3 - RECEIVABLES

Receivables at June 30, 2008 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$34,533 and the governmental funds of the primary government had an allowance of \$33,597 at June 30, 2008. The component unit had an allowance for uncollectibles of \$1,947,277 at June 30, 2008.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2008, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 63,359
Due from the Iowa Department of Transportation for construction projects	125,505
Due from the State of Iowa for local option sales taxes	158,040
Due from the Federal Aviation Administration for Airport Improvements	724,595
Due from the State of Iowa for hotel and motel sales taxes	31,377
Due from the State of Iowa for miscellaneous grants	12,539
Due from Plymouth County for construction projects	7,440
Total Due from Other Governments	<u>\$ 1,122,855</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2008, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 920,365
Water	General	263,466
Nonmajor Governmental Funds	Debt Service	29,783
TIF	Capital Project - CWC Renovation Project	1,687,371
Capital Project - Joint Urban Renewal	Nonmajor Governmental Funds	983,409
TIF	Nonmajor Governmental Funds	116,766
Road Use Tax	Nonmajor Governmental Funds	532
		<u>\$ 4,001,692</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,100,787	\$ 80,000	\$ 94,317	\$ -	\$ 1,086,470
Construction in Progress	5,352,801	1,761,054	5,442,813	(67,656)	1,603,386
Total capital assets not being depreciated	6,453,588	1,841,054	5,537,130	(67,656)	2,689,856
Capital assets being depreciated:					
Buildings	8,056,823	2,870,654	93,330	-	10,834,147
Improvements	3,460,070	572,721	-	-	4,032,791
Equipment	4,744,994	444,136	99,117	-	5,090,013
Infrastructure	23,637,526	2,367,860	-	-	26,005,386
Total capital assets being depreciated	39,899,413	6,255,371	192,447	-	45,962,337
Less: Accumulated Depreciation for:					
Buildings	4,243,793	437,490	88,663	-	4,592,620
Improvements	2,171,719	142,906	-	-	2,314,625
Equipment	4,046,178	325,694	98,337	-	4,273,535
Infrastructure	8,939,259	1,036,699	-	-	9,975,958
Total Accumulated Depreciation	19,400,949	1,942,789	187,000	-	21,156,738
Total capital assets being depreciated, net	20,498,464	4,312,582	5,447	-	24,805,599
Governmental activities capital assets, net	\$ 26,952,052	\$ 6,153,636	\$ 5,542,577	\$ (67,656)	\$ 27,495,455

Construction in progress at June 30, 2008, for the governmental activities consisted of costs associated with the Recreation Trail Improvements and numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 1,318,661	\$ -	\$ -	\$ -	\$ 1,318,661
Construction in Progress	2,564,104	268,516	2,767,605	-	65,015
Total capital assets not being depreciated	3,882,765	268,516	2,767,605	-	1,383,676
Capital assets being depreciated:					
Buildings	344,699	1,175,429	-	-	1,520,128
Improvements	605,606	1,350,106	-	67,656	2,023,368
Equipment	938,402	127,085	-	-	1,065,487
Utility Plant	42,136,629	521,318	-	-	42,657,947
Total capital assets being depreciated	44,025,336	3,173,938	-	67,656	47,266,930
Less: Accumulated Depreciation	12,668,825	1,528,826	-	-	14,197,651
Total capital assets being depreciated, net	31,356,511	1,645,112	-	67,656	33,069,279
Business-type activities capital assets, net	\$ 35,239,276	\$ 1,913,628	\$ 2,767,605	\$ 67,656	\$ 34,452,955

Construction in progress at June 30, 2008 consisted of costs associated with the water main extension.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 171,667
Public Works	1,139,482
Culture and Recreation	306,136
Community and Economic Development	240,153
General Government	85,351
Total depreciation expense – governmental activities	<u>\$ 1,942,789</u>
Business-Type Activities:	
Water	\$ 585,985
Sewer	846,963
Golf Course	75,934
Storm Sewer	2,860
Solid Waste	17,084
Total depreciation expense – business-type activities	<u>\$ 1,528,826</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 103,274	\$ -	\$ -	\$ 103,274
Construction in Progress	1,063,695	934,042	1,878,708	119,029
Total capital assets not being depreciated	1,166,969	934,042	1,878,708	222,303
Capital assets being depreciated:				
Land Improvements	703,637	-	-	703,637
Buildings and Fixed Equipment	13,020,628	1,499,783	11,197	14,509,214
Major Movable Equipment	5,612,525	624,591	214,780	6,022,336
Land and Buildings Leased to Others	2,957,580	-	-	2,957,580
Total capital assets being depreciated	22,294,370	2,124,374	225,977	24,192,767
Less: Accumulated Depreciation	11,362,784	1,225,405	217,783	12,370,406
Total capital assets being depreciated, net	10,931,586	898,969	8,194	11,822,361
Component unit capital assets, net	\$ 12,098,555	\$ 1,833,011	\$ 1,886,902	\$ 12,044,664

Construction in progress at June 30, 2008, consisted of renovations to the Hospital.

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Bond Issue Cost	\$ 154,138	\$ 162,531	\$ -
Land	1,086,470	1,318,661	103,274
Construction in Progress	1,603,386	65,015	119,029
Capital Assets (net of accumulated depreciation)	24,805,599	33,069,279	11,822,361
Less: General Obligation Bonds Payable	10,120,000	2,225,000	-
Notes Payable	248,053	-	-
Revenue Bonds	650,000	13,364,000	5,448,241
Investment in Capital Assets, Net of Related Debt	\$ 16,631,540	\$ 19,026,486	\$ 6,596,423

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

In June 2006 the City issued \$7,300,000 of general obligation bonds. These bonds were used to finance capital improvements as well as a refunding of the remaining \$655,000 of the 1998 series GO capital loan notes (for more detail on refunding see note in the refunding section). The interest rate of the bonds will range from 3.7 to 4.35%.

General obligation bonds outstanding as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Governmental Activities-2006			
Refunding & Corporate Purpose	3.7-4.35%	June 1, 2021	\$ 6,895,000
Governmental Activities	1.9-5.90%	June 1, 2016	1,540,000
SRF General Obligation Bonds, 2007	3.0%	June 1, 2027	1,509,000
Governmental Activities – Refunding 2003	3.15%	June 1, 2011	1,685,000
Business-Type Activities	1.9-5.60%	June 1, 2018	2,225,000
			<u>\$ 13,854,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,170,000	\$ 444,916	\$ 195,000	\$ 115,735
2010	1,252,000	406,518	200,000	109,578
2011	1,299,000	362,908	210,000	101,027
2012	966,000	315,728	225,000	91,978
2013	753,000	276,421	240,000	71,408
2014-2018	3,826,000	896,510	1,155,000	164,771
2019-2023	1,973,000	229,830	-	-
2024-2027	390,000	29,700	-	-
Total	<u>\$ 11,629,000</u>	<u>\$ 2,962,531</u>	<u>\$ 2,225,000</u>	<u>\$ 654,497</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure improvements related to the Two Rivers Center Project. The bonds will be paid through the collection of TIF revenues over the next 10 years at an interest rate ranging from 4.15 to 4.75%.

The 2004 series sewer revenue bonds, have a total par of \$7,900,000, all of which has been drawn.

The total par of the 2003 series water revenue bonds is \$6,300,000, and all funds available in this series of bonds have now been drawn. As shown below the interest rate on these bonds is 3.0%.

The total par of the 2005 series water revenue bonds is \$600,000. All funds available in this series have been drawn.

Revenue bonds outstanding at June 30, 2008 are as follows:

Primary Government

Purpose	Interest Rates	Maturity Date	Amounts
Business-type Activities-Sewer SRF	3.0%	June 1, 2020 – June 1, 2025	\$6,933,000
Business-type Activities -Water SRF	3.0-3.53%	June 1, 2024	6,431,000
Governmental Activities-Urban Renewal Tax Increment Bonds	4.15-4.75%	June 1, 2017	650,000
			<u>\$14,014,000</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT (CONTINUED)

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	5.5-5.9%	\$ 30,591
Hospital/Component Unit	3.0-5.45%	1,298,500
Hospital/Component Unit	2.5-5.9%	3,616,200
Hospital/Component Unit	1.8-3.35%	118,800
Hospital/Component Unit	3.4-5.15%	384,150
		<u>\$ 5,448,241</u>

These notes are reported net of unamortized discount of \$111,759.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-Type Activities		Governmental Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 685,000	\$ 405,300	\$ 50,000	\$ 28,742	\$ 725,000	\$ 274,160
2010	713,000	384,453	55,000	26,668	290,000	250,945
2011	731,000	362,755	65,000	24,357	255,000	238,678
2012	754,000	340,507	80,000	21,595	265,000	226,365
2013	781,000	317,559	85,000	18,155	285,000	212,928
2014-2018	4,295,000	1,215,983	315,000	32,747	1,625,000	828,385
2019-2023	4,785,000	526,907	-	-	2,115,000	318,738
2024-2025	620,000	19,830	-	-	-	-
Total	\$ 13,364,000	\$ 3,573,294	\$ 650,000	\$ 152,264	\$ 5,560,000	\$ 2,350,199

Advance and Current Refundings

In May 2002, the City issued \$195,000 in General Obligation Capital Loan Notes with an average interest rate of 4.1% to refund the 1993 General Obligation Capital Loan Notes with an average interest rate of 5.2%. The City refunded the debt to reduce its total debt service payments over the next six years by \$10,008 and to obtain an economic gain of \$9,042.

In December 2003, the City issued \$3,015,000 of General Obligation Corporate Purpose and Refunding Notes in a crossover advance refunding of the 1996A General Obligation Corporate Purpose Notes. The 2003 bonds had an average interest rate of 3.15% and the 1996 bonds which were refunded had an average interest rate of 5.74%. As a result of this refunding, the City reduced its debt service payments over the next seven years by \$167,924, and obtained an economic gain of \$145,045.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT (CONTINUED)

In June 2006 the City issued \$7,300,000 of GO Corporate Purpose and Refunding Bonds, of which \$665,000 was used in a refunding of the 1998 series GO Corporate Purpose Notes. The 2006 series bonds carry an average interest rate of 4.07% and the 1998 series an average interest rate of 4.77%. This results in an economic gain of \$9,467 and a reduction in debt service payments of \$10,627 over the next five years.

Notes Payable

In March 2006 the City agreed to pay Wal-Mart Stores, Inc. \$392,218. Payments began June 1, 2006 and will be made annually through June 1, 2009, with interest payments due on December 1, 2007 through December 1, 2008. Interest will accrue at a rate of 5% per annum. This note is a general obligation of the City and is repayment of a portion of the costs incurred by Wal-Mart Stores, Inc. involved with the public improvements on Holton Drive East.

In August 2005 the City agreed to pay Southern Sioux County Rural Water System \$300,000 in consideration for water service territory rights in areas west and north of Le Mars. These payments will be made annually in installments of \$50,000 beginning in October 2006. There will be no interest paid if payments are made by the applicable due dates.

Notes Payable debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 148,053	\$ 4,903
2010	50,000	-
2011	50,000	-
Total	<u>\$ 248,053</u>	<u>\$ 4,903</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable	\$ 369,108	\$ -	\$ 148,055	\$ 248,053	\$ 148,053
Bonds Payable:					
General Obligation	11,190,000	1,510,000	1,071,000	11,629,000	1,170,000
Revenue Bonds	650,000	-	-	650,000	50,000
Compensated Absences	668,793	159,547	137,875	690,465	138,093
 Governmental Activity Long-Term Liabilities	 12,904,901	 1,669,547	 1,356,930	 13,217,518	 1,506,146
 Business-Type Activities:					
Bonds Payable:					
General Obligation	2,375,000	-	150,000	2,225,000	195,000
Revenue Bonds	14,027,000	-	663,000	13,364,000	685,000
Compensated Absences	120,856	34,589	14,024	141,421	28,284
Business-Type Activity Long-Term Liabilities	16,522,856	34,589	827,024	15,730,421	908,284
 Component Unit:					
Bonds Payable:					
Revenue Bonds	6,255,000	-	695,000	5,560,000	725,000
Less Deferred Amounts:					
Of Bond Discount	126,340	-	14,581	111,759	-
Total Bonds Payable	\$ 6,128,660	\$ -	\$ 680,419	\$ 5,448,241	\$ 725,000

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Road Use	Nonmajor Governmental	Nonmajor Enterprise	Transfer Out
General	\$ -	\$ -	\$ -	\$ 40,497	\$ 1,974	\$ 42,471
Road Use Tax	470,000	-	-	-	-	470,000
Local Option Sales Tax	144,000	92,288	-	285,000	29,733	551,021
TIF	900,000	-	-	243,008	-	1,143,008
Nonmajor Governmental	99,000	281,736	17,309	180,000	154,830	732,875
Sewer	234,229	-	-	-	-	234,229
Water	234,229	-	-	-	-	234,229
Nonmajor Enterprise	89,617	-	-	110,247	-	199,864
Transfers In	\$ 2,171,075	\$374,024	\$ 17,309	\$ 858,752	\$ 186,537	\$ 3,607,697

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90 percent of their annual covered salary and the City is required to contribute 6.05 percent of annual covered payroll except for, fire employees, in which case, the percentages are 7.65 percent and 8.47 percent, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$152,271, \$144,483, and \$133,709, respectively, equal to the required contributions for each year.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 9- PENSION AND RETIREMENT – (Continued)

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's FY 2008 contribution rate cannot be less than 25.48% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2008, 2007 and 2006 were \$200,703, \$211,015, and \$203,347, respectively, which met the required minimum contribution for each year.

Note 10- MAJOR CUSTOMER

During the year ended June 30, 2008, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$1,247,535. This represents 58% of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$468,256 which represents 31% of total water charges for services.

Note 11- RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Long- Term Notes	Endowments Tree Farm	Perpetual Care	Assets Held for Resale	Total
General Fund	\$ 460,006	\$ -	\$ -	\$ 172,011	\$ 632,017
Special Revenue					
Tree Farm	-	28,232	-	-	28,232
Capital Projects					
Industrial Park	313,720	-	-	-	313,720
Joint Urban Renewal	618,910	-	-	-	618,910
Permanent Fund					
Cemetery Perpetual Care	-	-	137,479	-	137,479
Total Reserves of Fund Balances	<u>\$1,392,636</u>	<u>\$ 28,232</u>	<u>\$ 137,479</u>	<u>\$ 172,011</u>	<u>\$1,730,358</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 12 - DEFICIT FUND EQUITY

The City has eleven funds with deficit equity balances at June 30, 2008. The City intends to finance these deficits from various resources including; general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Debt Service.....	\$ 23,455
Special Revenue – Unemployment.....	416
Special Revenue – Westmar University TIF	1,152,670
Capital Project – Public Safety Building Improvement.....	85,163
Capital Project – Industrial Park.....	172,930
Capital Project – 1997 Storm Sewer Drainage Imp	238,931
Capital Project – US 75 Intersections	170,000
Capital Project – Business Park	33,277
Capital Project – Mahogany Ave. Project	19,566
Capital Project – TIF Capital Projects.....	1,571
Capital Project – CWC Renovation Project.....	1,687,371

Note 13- RISK MANAGEMENT

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	2007	2008
Unpaid claims, beginning of fiscal year	\$ 57,196	\$ 85,630
Incurred claims (including IBNR's)	599,299	522,362
Claim payments	(570,865)	(528,689)
Unpaid claims, end of fiscal year	<u>\$ 85,630</u>	<u>\$ 79,303</u>

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 13- RISK MANAGEMENT – (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2008 were \$102,834.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile and property physical damage risks are retained by the Pool, up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the City's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 13- RISK MANAGEMENT – (Continued)

refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

Note 14- COMMITMENTS

During the year ended June 30, 2008, the City had entered into several construction contracts totaling approximately \$1,145,541 of which approximately \$1,023,616 has been expended to date. The remaining balance will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2008, the City has made payments totaling \$872,979.

Note 15 - CONTINGENCY

The State of Iowa Environmental Protection Division is still considering the City's appeal of an administrative order imposing a penalty of \$10,000 for violations at the Waste Water Treatment Facility, which occurred during the months of April, May and June of 2000. As of this date, there has been no final decision as to the City's appeal of the penalty in the amount of \$10,000.

Note 16 - JOINT VENTURE

The City of Le Mars has joined with Northwest Rural Electric Cooperative and Long Lines, Ltd. to form Le Mars Communications, LLP, which will provide high-tech telecommunications services to commercial and residential customers in the City of Le Mars and the area immediately surrounding Le Mars. Le Mars Communications, LLP will be establishing a telecommunications system that will

initially provide telephone, internet, and high-speed data transmission service to customers in the community. The City owns a 33 percent share of the venture. Summary financial information of the joint venture for the year ended December 31, 2007 follows:

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 16 - JOINT VENTURE (CONTINUED)

	<u>Total</u>
Assets	<u>\$ 713,984</u>
Liabilities	30,325
Equity	683,659
	<u>713,984</u>
Revenues	396,815
Expenses.....	349,037
Net Decrease in Equity.....	<u>\$ 47,778</u>

Separately issued financial statements for Le Mars Communications can be obtained from their offices. The joint venture is recorded on the equity method in the governmental activities.

City's Share of Joint Venture at June 30, 2008:

Assets.....	33%
Equity	33%
Liabilities.....	33%

Note 17 - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, Industrial Development Revenue Bonds outstanding had an original issue amount of \$1,850,000. The outstanding balance at June 30, 2008 was \$1,850,000.

Note 18 - NOTES RECEIVABLE

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2008 is \$313,720.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

Note 18 - NOTES RECEIVABLE (CONTINUED)

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Dairy Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition the City in FY 2008 incurred \$93,911 of expenditures related to the clean up and restoration of the Winter's/Crescent Ridge Property. The City will be reimbursed for these costs as funds are available from the sale of the property after the full amounts of the original contributions are repaid to the City and County.

In April 2006 the City made an economic development loan to Harker's Distribution, Inc. The loan was for \$500,000 and accrues interest at 4.25% with monthly payments commencing on October 21, 2007, and continuing through March 21, 2010. At June 30, 2008 the note balance was \$350,005. Subsequent to year end, in November 2008, the City negotiated a partial mortgage release on the facility to facilitate the sale of a portion of the property for a new business. At that time the City was paid \$60,000 in addition to the monthly payments received from June 30, 2008 to that point. In February 2009, a final release of the mortgage was negotiated and a final settlement of the loan was reached. This was done to facilitate the sale of the remaining property. As a result of this settlement Harker's Inc. paid \$108,000 of the remaining loan balance of \$223,342.

Note 19- PLEDGES RECEIVABLE

The City received pledges from individuals and businesses to finance several community betterment projects. The pledges are to be paid over a ten-year period. The receivable at June 30, 2008 is recorded net of allowance for uncollectible of \$127,400 in the government-wide financial statements. In the fund level statements, the receivable, net of allowance for uncollectible of \$29,488, is recorded in the Community Betterment Fund with a deferred revenue for the proceeds to be received after one year.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2008

NOTE 20 - PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2007, a \$100,000 capital expenditure related to the 2006 ACC Paving Project was not properly capitalized in the government-wide financial statements. The effect on the governmental net assets was as follows:

	Government-Wide Statement of Activities
Beginning net assets as previously reported	\$ 16,602,644
Prior period adjustment	100,000
Beginning net assets, restated	<u>\$ 16,702,644</u>

CITY OF LE MARS, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Revenue:			
Taxes	\$ 3,627,652	\$ -	\$ -
Tax Increment Financing	3,249,073	-	-
Other Tax	1,027,424	-	-
Licenses and Permits	64,227	-	-
Use of Money and Property	322,839	86,816	-
Intergovernmental	2,036,785	20,000	-
Charges for Services	789,855	4,919,466	22,865,073
Miscellaneous	997,742	24,220	-
Total Revenue	<u>12,115,597</u>	<u>5,050,502</u>	<u>22,865,073</u>
Expenditures:			
Public Safety	2,217,987	-	-
Public Works	856,161	-	-
Culture and Recreation	1,635,510	-	-
Community and Economic Development	462,273	-	-
General Government	1,165,341	-	-
Capital Projects	5,754,674	-	-
Debt Service	1,569,883	-	-
Business Type Activities	-	4,785,477	22,343,044
Total Expenditures	<u>13,661,829</u>	<u>4,785,477</u>	<u>22,343,044</u>
Excess (deficiency) of revenues over expenditures	(1,546,232)	265,025	522,029
Other financing sources net:			
Proceeds from Debt Financing	1,510,000	-	-
Sale of Assets	394,461	25,961	-
Interfund Transfers In	3,115,913	186,537	-
Interfund Transfers Out	(2,634,128)	(668,322)	-
Total other financing sources net	<u>2,386,246</u>	<u>(455,824)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	840,014	(190,799)	522,029
Fund balances - beginning of year	45,955	1,154,272	9,411,012
Fund balances - end of year	<u>\$ 885,969</u>	<u>\$ 963,473</u>	<u>\$ 9,933,041</u>

Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
	Original	Final	
\$ 3,627,652	\$ 3,418,931	\$ 3,418,931	\$ (208,721)
3,249,073	3,230,761	3,230,761	(18,312)
1,027,424	1,195,453	1,195,453	168,029
64,227	119,700	119,700	55,473
409,655	259,050	259,050	(150,605)
2,056,785	861,197	1,982,427	(74,358)
28,574,394	31,349,462	31,351,062	2,776,668
1,021,962	397,022	678,672	(343,290)
<u>40,031,172</u>	<u>40,831,576</u>	<u>42,236,056</u>	<u>2,204,884</u>
2,217,987	2,128,126	2,220,326	2,339
856,161	825,726	861,926	5,765
1,635,510	1,805,784	1,840,784	205,274
462,273	428,301	527,301	65,028
1,165,341	1,239,783	1,295,933	130,592
5,754,674	3,022,712	6,037,712	283,038
1,569,883	1,532,197	1,570,197	314
27,128,521	29,122,066	29,122,066	1,993,545
<u>40,790,350</u>	<u>40,104,695</u>	<u>43,476,245</u>	<u>2,685,895</u>
(759,178)	726,881	(1,240,189)	481,011
1,510,000	-	1,510,000	-
420,422	50,000	260,000	(160,422)
3,302,450	6,410,455	6,410,455	(3,108,005)
<u>(3,302,450)</u>	<u>(6,410,455)</u>	<u>(6,410,455)</u>	<u>3,108,005</u>
<u>1,930,422</u>	<u>50,000</u>	<u>1,770,000</u>	<u>(160,422)</u>
1,171,244	776,881	529,811	320,589
10,611,239	10,611,239	10,611,239	-
<u>\$ 11,782,483</u>	<u>\$ 11,388,120</u>	<u>\$ 11,141,050</u>	<u>\$ 320,589</u>

CITY OF LE MARS, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,115,597	\$ (536,430)	\$ 11,579,167
Expenditures	13,661,829	(2,827,678)	10,834,151
Net	(1,546,232)	2,291,248	745,016
Other Financing Sources, net	2,386,246	(209,820)	2,176,426
Beginning Fund Balance	45,955	623,636	669,591
Ending Fund Balance	<u>\$ 885,969</u>	<u>\$ 2,705,064</u>	<u>\$ 3,591,033</u>

	Enterprise Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 5,050,502	\$ (45,853)	\$ 5,004,649
Expenses	4,785,477	267,799	5,053,276
Net	265,025	(313,652)	(48,627)
Other Financing Sources, net	(455,824)	305,545	(150,279)
Beginning Net Assets	1,154,272	19,373,496	20,527,768
Ending Net Assets	<u>\$ 963,473</u>	<u>\$ 19,365,389</u>	<u>\$ 20,328,862</u>

	Component Unit		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 22,865,073	\$ 180,434	\$ 23,045,507
Expenses	22,343,044	(295,618)	22,047,426
Net	522,029	476,052	998,081
Other Financing Sources, net	-	-	-
Beginning Net Assets	9,411,012	6,855,113	16,266,125
Ending Net Assets	<u>\$ 9,933,041</u>	<u>\$ 7,331,165</u>	<u>\$ 17,264,206</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$3,371,550. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any of the City's budgeted functions.

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2008

	Special Revenue Funds			
	Fire Department Service	Westmar University TIF	LeMars Coal Gas Site Cleanup	CDBG Home Fund
Assets				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ 48,266
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	256,254	-	-
Pledges Receivable	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	-	256,254	-	48,266
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	1,131	-	-
Due to Other Funds	-	1,151,539	-	-
Unearned Revenue	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	256,254	-	-
Total Liabilities	-	1,408,924	-	-
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes	-	-	-	-
Unreserved	-	(1,152,670)	-	48,266
Total Fund Balances (Deficits)	-	(1,152,670)	-	48,266
Total Liabilities and Equity	\$ -	\$ 256,254	\$ -	\$ 48,266

Special Revenue Funds					
CDBG Land Fund	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm
\$ 35,475	\$ 1,497	\$ 9,470	\$ -	\$ 5,212	\$ 28,232
-	-	-	-	-	-
-	-	867	-	-	-
-	-	-	116	-	-
-	-	149,980	20,005	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,783	-	-	-	-	-
-	-	-	-	-	-
65,258	1,497	160,317	20,121	5,212	28,232
-	38	-	-	-	-
-	-	-	532	-	-
-	-	-	-	-	-
-	-	149,980	20,005	-	-
-	38	149,980	20,537	-	-
-	-	-	-	-	-
-	-	-	-	-	28,232
-	-	-	-	-	-
65,258	1,459	10,337	(416)	5,212	-
65,258	1,459	10,337	(416)	5,212	28,232
\$ 65,258	\$ 1,497	\$ 160,317	\$ 20,121	\$ 5,212	\$ 28,232

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2008

	Capital Project Funds		
	24th St. SE Infrastructure	Industrial Park	Recreation Trail Improvements
Assets			
Cash and Pooled Investments	\$ 11,280	\$ -	\$ 17,403
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Pledges Receivable	-	-	-
Notes Receivable	-	313,720	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	22,597	-
Total Assets	11,280	336,317	17,403
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	1,427	11,725	14,749
Due to Other Funds	-	497,522	-
Unearned Revenue	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	1,427	509,247	14,749
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	313,720	-
Unreserved	9,853	(486,650)	2,654
Total Fund Balances	9,853	(172,930)	2,654
Total Liabilities and Equity	\$ 11,280	\$ 336,317	\$ 17,403

Capital Project Funds				
Airport Runway Extension	2006 Street Construction	Two Rivers Development	Public Safety Building Improvement	
\$ 20,184	\$ 162,828	\$ 104,975	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
724,595	-	-	-	-
744,779	162,828	104,975	-	-
3,970	-	-	-	-
-	-	-	85,163	-
-	-	-	-	-
-	-	-	-	-
3,970	-	-	85,163	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
740,809	162,828	104,975	(85,163)	-
740,809	162,828	104,975	(85,163)	-
\$ 744,779	\$ 162,828	\$ 104,975	\$ -	-

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2008

	Capital Project Funds		
	TIF Capital Projects	Community Betterment	2003 STP-FHWA Projects
Assets			
Cash and Pooled Investments	\$ -	\$ 26,004	\$ 120,072
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Pledges Receivable	-	1,244,512	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	102,908
Total Assets	<u>-</u>	<u>1,270,516</u>	<u>222,980</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	1,571	-	29,210
Due to Other Funds	-	-	-
Unearned Revenue	-	890,275	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	<u>1,571</u>	<u>890,275</u>	<u>29,210</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	-	-
Unreserved	(1,571)	380,241	193,770
Total Fund Balances	<u>(1,571)</u>	<u>380,241</u>	<u>193,770</u>
Total Liabilities and Equity	<u>\$ -</u>	<u>\$ 1,270,516</u>	<u>\$ 222,980</u>

Capital Project Funds					Permanent Fund	Total
Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds	
\$ -	\$ -	\$ -	\$ -	504	\$ 591,402	
-	-	-	-	136,975	136,975	
-	-	-	-	-	-	867
-	-	-	-	-	-	116
-	-	-	-	-	-	426,239
-	-	-	-	-	-	1,244,512
-	-	-	-	-	-	313,720
-	-	-	-	-	-	29,783
-	-	-	-	-	-	850,100
-	-	-	-	137,479	3,593,714	
-	5,458	-	170,000	-	239,279	
33,277	233,473	19,566	-	-	2,021,072	
-	-	-	-	-	890,275	
-	-	-	-	-	426,239	
33,277	238,931	19,566	170,000	-	3,576,865	
-	-	-	-	137,479	137,479	
-	-	-	-	-	28,232	
-	-	-	-	-	313,720	
(33,277)	(238,931)	(19,566)	(170,000)	-	(462,582)	
(33,277)	(238,931)	(19,566)	(170,000)	137,479	16,849	
\$ -	\$ -	\$ -	\$ -	\$ 137,479	\$ 3,593,714	

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2008

	Special Revenue Funds			
	Fire Department Service	Westmar University TIF	LeMars Coal Gas Site Cleanup	CDBG Home Fund
Revenue:				
Taxes	\$ -	\$ 232,415	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	-	8	-	21,728
Rental Income	-	-	-	-
Interest	-	-	-	943
Miscellaneous	-	-	-	-
Total Revenue	-	232,423	-	22,671
Expenditures:				
Public Safety	1,050	-	-	-
Public Works	-	-	2,878	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	35,195	-	-
General Government	-	-	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	7,122	-
Total Expenditures	1,050	35,195	10,000	-
Excess (deficiency) of revenues over expenditures	(1,050)	197,228	(10,000)	22,671
Other financing sources (uses):				
Proceeds from Debt Financing	-	-	1,510,000	-
Proceeds from Sale of Assets	-	12,425	-	-
Transfers In	1,497	39,000	-	-
Transfers Out	-	(19,000)	-	-
Total other financing sources (uses)	1,497	32,425	1,510,000	-
Net Change in Fund Balance	447	229,653	1,500,000	22,671
Fund balances (deficits) -beginning of year	(447)	(1,382,323)	(1,500,000)	25,595
Fund balances (deficits) - end of year	\$ -	\$ (1,152,670)	\$ -	\$ 48,266

Special Revenue Funds					
CDBG Land Fund	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm
\$ -	\$ -	\$ 200,175	\$ 28,032	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,046	-
-	-	-	-	-	2,000
30,917	-	-	-	-	-
-	-	-	-	-	-
1,324	-	-	-	122	-
-	-	-	-	-	-
32,241	-	200,175	28,032	5,168	2,000
-	-	200,704	-	22,830	-
-	-	-	-	-	-
-	-	-	-	-	365
-	147	-	-	-	-
-	-	-	18,971	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	147	200,704	18,971	22,830	365
32,241	(147)	(529)	9,061	(17,662)	1,635
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32,241	(147)	(529)	9,061	(17,662)	1,635
33,017	1,606	10,866	(9,477)	22,874	26,597
\$ 65,258	\$ 1,459	\$ 10,337	\$ (416)	\$ 5,212	\$ 28,232

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2008

	Capital Project Funds		
	24th St. SE Infrastructure	Industrial Park	Recreation Trail Improvements
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	21,673	151,155	-
Rental Income	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	21,673	151,155	-
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	48,442	310,381	261,698
Debt Service	-	-	-
Total Expenditures	48,442	310,381	261,698
Excess (deficiency) of revenues over expenditures	(26,769)	(159,226)	(261,698)
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	-
Proceeds from Sale Assets	-	-	-
Transfers In	-	-	180,000
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	180,000
Net Change in Fund Balance	(26,769)	(159,226)	(81,698)
Fund balances (deficits) -beginning of year	36,622	(13,704)	84,352
Fund balances (deficits) - end of year	\$ 9,853	\$ (172,930)	\$ 2,654

Capital Project Funds			
Airport Runway Extension	2006 Street Construction	Two Rivers Development	Public Safety Building Improvement
\$ -	\$ -	\$ -	\$ -
504,529	208,887	-	-
-	-	-	-
-	-	-	-
-	-	-	3,153
-	-	-	-
-	-	-	-
504,529	208,887	-	3,153
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
547,372	337,628	80	215,017
-	-	-	-
547,372	337,628	80	215,017
(42,843)	(128,741)	(80)	(211,864)
-	-	-	-
-	-	-	126,701
-	-	-	-
-	-	(28,743)	-
-	-	(28,743)	126,701
(42,843)	(128,741)	(28,823)	(85,163)
783,652	291,569	133,798	-
\$ 740,809	\$ 162,828	\$ 104,975	\$ (85,163)

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2008

	Capital Project Funds		
	TIF Capital Projects	Community Betterment	2003 STP-FHWA Projects
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	159,113
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	311,515	-
Refunds/Reimbursements	-	-	-
Rental Income	1,440	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	1,440	311,515	159,113
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	138,044	-	213,437
Debt Service	-	-	-
Total Expenditures	138,044	-	213,437
Excess (deficiency) of revenues over expenditures	(136,604)	311,515	(54,324)
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	-
Proceeds from Sale Assets	-	-	-
Transfers In	135,148	305,247	-
Transfers Out	-	(685,132)	-
Total other financing sources (uses)	135,148	(379,885)	-
Net Change in Fund Balance	(1,456)	(68,370)	(54,324)
Fund balances (deficits) -beginning of year	(115)	448,611	248,094
Fund balances (deficits) - end of year	\$ (1,571)	\$ 380,241	\$ 193,770

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 460,622
-	-	-	-	-	872,529
-	-	-	-	1,547	1,547
-	-	-	-	-	5,046
-	-	-	-	-	313,515
21,799	1,225	-	-	-	251,658
-	-	-	-	-	1,440
-	-	-	-	-	2,389
-	-	-	-	-	-
21,799	1,225	-	-	1,547	1,908,746
-	-	-	-	-	224,584
-	-	-	-	-	2,878
-	-	-	-	-	365
-	-	-	-	-	35,342
-	-	-	-	-	18,971
14,826	108,872	150	-	-	2,195,947
107,859	-	-	-	-	114,981
122,685	108,872	150	-	-	2,593,068
(100,886)	(107,647)	(150)	-	1,547	(684,322)
-	-	-	-	-	1,510,000
-	-	-	-	-	139,126
107,860	90,000	-	-	-	858,752
-	-	-	-	-	(732,875)
107,860	90,000	-	-	-	1,775,003
6,974	(17,647)	(150)	-	1,547	1,090,681
(40,251)	(221,284)	(19,416)	(170,000)	135,932	(1,073,832)
\$ (33,277)	\$ (238,931)	\$ (19,566)	\$ (170,000)	\$ 137,479	\$ 16,849

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Enterprise Nonmajor Funds
JUNE 30, 2008

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
ASSETS				
Cash and Cash Equivalents	\$ 17,111	\$ 201,428	\$ 6,500	\$ 225,039
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	1,411	27,152	4,475	33,038
Estimated Unbilled Usage	-	23,950	4,441	28,391
Prepaid Assets	1,764	-	-	1,764
Land	300,886	-	-	300,886
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,784,802	121,025	168,720	3,074,547
Total Assets	3,105,974	373,555	184,136	3,663,665
LIABILITIES				
Accounts Payable	14,822	22,863	-	37,685
Total Liabilities	14,822	22,863	-	37,685
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	3,085,688	121,025	168,720	3,375,433
Unrestricted	5,464	229,667	15,416	250,547
Total Net Assets	\$ 3,091,152	\$ 350,692	\$ 184,136	\$ 3,625,980

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2008

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
Operating Revenues:				
Charges for Services	\$ 307,553	\$ 677,456	\$ 92,252	\$ 1,077,261
Total Operating Revenue	<u>307,553</u>	<u>677,456</u>	<u>92,252</u>	<u>1,077,261</u>
Operating Expenses:				
Contract Services	181,536	523,801		705,337
Supplies	89,473			89,473
Repairs and Improvements	13,360			13,360
Utilities	14,419			14,419
Miscellaneous	4,248			4,248
Depreciation	75,934	17,084	2,860	95,878
Total Operating Expenses	<u>378,970</u>	<u>540,885</u>	<u>2,860</u>	<u>922,715</u>
Operating Income (Loss)	(71,417)	136,571	89,392	154,546
Non-Operating Income:				
Refund and Reimbursements	304	619		923
Revenue from Use of Property	22,170			22,170
Intergovernmental Revenue	-	20,000	-	20,000
Total Non-Operating Income	<u>22,474</u>	<u>20,619</u>	<u>-</u>	<u>43,093</u>
Income (Loss) before Contributions and Transfers	(48,943)	157,190	89,392	197,639
Contributed Capital	2,200	-	171,580	173,780
Transfers In	186,537		-	186,537
Transfers (Out)	<u>(49,864)</u>	<u>(60,000)</u>	<u>(90,000)</u>	<u>(199,864)</u>
Change in Net Assets	89,930	97,190	170,972	358,092
Net Assets - Beginning	<u>3,001,222</u>	<u>253,502</u>	<u>13,164</u>	<u>3,267,888</u>
Net Assets - Ending	<u>\$ 3,091,152</u>	<u>\$ 350,692</u>	<u>\$ 184,136</u>	<u>\$ 3,625,980</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2008

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 308,405	\$ 691,091	\$ 96,332	\$ 1,095,828
Cash Paid to Suppliers for Goods and Services	(300,551)	(524,602)	(55)	(825,208)
Other Nonoperating Income	22,474	20,619	-	43,093
Net Cash Provided (Used) by Operating Activities	30,328	187,108	96,277	313,713
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(203,357)	(45,182)	-	(248,539)
Net Cash (Used) for Capital and Related Financing Activities	(203,357)	(45,182)	-	(248,539)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers From (To) Other Funds	136,673	(60,000)	(90,000)	(13,327)
Net Cash Provided (Used) for Non-Capital Financing Activities	136,673	(60,000)	(90,000)	(13,327)
Net Increase (Decrease) in Cash and Cash Equivalents	(36,356)	81,926	6,277	51,847
Cash and Cash Equivalents at Beginning of Year	53,467	119,502	223	173,192
Cash and Cash Equivalents at End of Year	\$ 17,111	\$ 201,428	\$ 6,500	\$ 225,039
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Net Operating Income (Loss)	\$ (71,417)	\$ 136,571	\$ 89,392	\$ 154,546
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	75,934	17,084	2,860	95,878
Miscellaneous Non-Operating Income	22,474	20,619	-	43,093
(Increase) Decrease in Assets:				
Accounts Receivable	852	5,274	573	6,699
Estimated Unbilled Usage		8,361	3,507	11,868
Prepaid Expenses	(1,764)			(1,764)
Increase (Decrease) in Liabilities:				
Accounts Payable	4,249	(801)	(55)	3,393
Total Adjustments	101,745	50,537	6,885	159,167
Net Cash Provided (Used) by Operating Activities	\$ 30,328	\$ 187,108	\$ 96,277	\$ 313,713

CITY OF LE MARS, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 669	\$ 44,076	\$ 35,129	\$ 9,616
Total Assets	669	44,076	35,129	9,616
<u>Liabilities</u>				
Accounts Payable	669	44,076	35,129	9,616
Total Liabilities	\$ 669	\$ 44,076	\$ 35,129	\$ 9,616

CITY OF LE MARS, IOWA

TABLE I

Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	ESTIMATED ACTUAL VALUE	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS DAIRY, INC.	COMMERICAL DAIRY	\$46,941,593	8.15%
WD 2005 SPE LLC	WELL'S CORPORATE OFFICE	24,485,376	4.25%
MID AMERICAN ENERGY	UTILITY COMPANY	16,032,001	2.79%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	11,934,084	2.07%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	7,350,449	1.28%
BODEANS BAKING COMPANY	COMMERCIAL BAKERY	5,877,570	1.02%
STEVE SCHUSTER	COMMERCIAL TRUCKING	4,564,005	0.79%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	4,487,296	0.78%
ILP ONE MASTER, LLC (BEKINS)	COLD STORAGE FACILITY	4,378,399	0.76%
ROGER ATHENS	REAL ESTATE	4,193,658	0.73%
	TOTAL	130,244,431	22.63%
	ALL OTHERS	445,408,240	77.37%
		<u>\$ 575,652,671</u>	<u>100.00%</u>

TABLE II

Computation of Legal Debt Margin

June 30, 2008

2007-08 ACTUAL VALUATION:	\$575,652,671	
LESS: MILITARY EXEMPTION	<u>(1,038,046)</u>	
	\$574,614,625	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$28,730,731
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	13,952,055	
URBAN RENEWAL REVENUE DEBT	650,000	
* OTHER DEBT	<u>18,962,239</u>	
	33,564,294	
LESS:		
* REVENUE BONDS/NOTES	<u>18,962,239</u>	
	14,602,055	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>-</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>14,602,055</u>
LEGAL DEBT MARGIN		<u>\$14,128,676</u>

*Includes Floyd Valley Hospital (Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2008

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor-Council
Population	9237
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by City Council
Number of Employees:	
Regular Full Time	59
Regular Part Time	5
Fire	22
Ambulance	16
Area in Square Miles	8.54
Miles of Streets	63
Percent of Streets Paved	99%
Number of Street Lights	827
Building Permits 2007-08	116
Total Building Permits Less	
Demolition and Moving	12
New Single and Multi-Family Dwellings	20
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	600
Number of Customers	4,150
Storage Capacity (Gallons)	2,850,000
Average Daily Consumption (Gallons)	2,750,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	68
Sewer System:	
Miles of Sanitary Sewer	52
Miles of Storm Sewer	11
Number of Sanitary Sewer Customers	3,940
Average Daily Sewer Usage (Gallons)	2,038,000
Peak Load (Gallons)	3,389,000
Design Flow	4,256,000 @ 24,000 SUMMER / 18,000 WINTER
Number of Lift Stations	9
Number of Treatment Plants	1
Culture and Recreation:	
Number of Parks	14
Number of Libraries	1
Number of Volumes	35,168
Golf Courses (27 Holes)	1
Swimming Pools	2
Tennis Courts	7
Campgrounds	1
Softball/Baseball fields	11
Theatre	1
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

CITY OF LE MARS, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2008

	CFDA Number	Project/Contract Number	Program Disburse- ments
Direct:			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	AIP #3-19-0127-04	\$ 259,601
Airport Improvement Program	20.106	AIP #3-19-0127-05	261,240
Total Direct			<u>520,841</u>
Indirect:			
DEPARTMENT OF TRANSPORTATION:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-4257(616) & (620)	<u>49,113</u>
Governor's Traffic Safety Bureau, Iowa Department			
of Public Safety:			
OWI Prevention Grant	20.601	PAP 07-163, Task 48	10,434
Alcohol Incentive Grant	20.601	PAP 08-410, Task 41	11,656
			<u>22,090</u>
Total Indirect			<u>71,203</u>
Total Expenditures of Federal Awards			<u>\$ 592,044</u>

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA #20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Le Mars did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-08 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

IV-A-08 - Certified Budget – Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted in any of the City's budgeted functions.

IV-B-08 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-08 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$660.00	(1)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$7,934.28	(3)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$1,725.03	(3)
Van's Sanitation, Scott Vander Sluis, Owner Spouse of City employee, Lisa Vander Sluis	Solid Waste Services	\$191,690.12	(2)
Professional Surveying Services, Dave Wilberding, Owner, Planning & Zoning Board Member	Surveying	\$25,819.00	(4)
Oak & Treasures, Dennis Bollin, Owner, Planning & Zoning Board Member	Appliances, Furniture	\$21,579.56	(3)
Dreckman Excavating, Jerome Dreckman, Owner Planning & Zoning Board Member	Rock	\$36,211.85	(3)
Ludwig, Bruce, Le Mars Broadband Telecomm. Mbr Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Maintenance Contract	\$1,200.00	(1)
	Vehicle Repair	\$25,963.41	(3)
Lancaster Realty, Owned by LHRB Member, Darrel Lancaster	Land Lease	\$300.00	(1)
Ahrendsen, Steve, City of Le Mars Public Works Dept. Employee	Fire Department Earnings	\$324.00	(1)
Hansen, Steve, City of Le Mars Street Dept. Employee	Fire Department Earnings	\$2,251.50	(3)
Schwartz, Steve, City of Le Mars Public Works Dept. Employee	Fire Department Earnings	\$1,587.00	(3)
Kramer, Jeff, City of Le Mars Police Officer	Ambulance Dept. Earnings	\$74.24	(1)
Harms, Doug, City of Le Mars Public Works Dept. Employee	Fire Dept Earnings	\$2,290.50	(3)

(1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(10) of the code of Iowa.

(2) Per Chapter 362.5 of the Code of Iowa this transaction does not represent a conflict of interest.

(3) This transaction may represent a conflict of interest and the City should contact legal council for determination.

(4) These transactions may represent a conflict of interest and the City should contact legal council for determination. Per City management it was noted that the City did utilize several other local and regional firms for surveying services.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

- IV-E-08 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- IV-G-08 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- IV-H-08 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF LE MARS, IOWA
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2008

III-A-07 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Cash reclassifications were also identified. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables, payables, capital asset additions and cash reclassifications are identified and included in the City's financial statements.

Response - We will double check these in the future to avoid any missing receivables, payables, capital asset or cash reclassification transactions.

Conclusion - Response accepted.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA as of and for the year ended June 30, 2008, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated March 10, 2009. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit) which statements reflect total assets of \$25,723,295 and operating revenues of \$22,571,444 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, was based solely on the report of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, item II-A-08 we believe to be a material weakness.

Compliance:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

William & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 10, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and Members of the
City Council
Le Mars, Iowa

Compliance

We have audited the compliance of the City of Le Mars, Iowa (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williamst Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 10, 2009